

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6205**

**BILL NUMBER:** HB 1420

**NOTE PREPARED:** Mar 19, 2006

**BILL AMENDED:** Feb 23, 2006

**SUBJECT:** Employee Tobacco Use Incentives.

**FIRST AUTHOR:** Rep. T Brown

**FIRST SPONSOR:** Sen. Gard

**BILL STATUS:** Enrolled

**FUNDS AFFECTED:** X **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** (Amended) This bill allows an employer to implement financial incentives related to employer-provided health benefits to reduce employee tobacco use.

**Effective Date:** July 1, 2006.

**Explanation of State Expenditures:** (Revised) IC 22-5-4-1 provides that an employer can not discriminate with respect to compensation and benefits based on the employee's use of tobacco. The bill provides that the employer may implement financial incentives intended to reduce tobacco use and related to employee health benefits provided by the employer. The fiscal impact of the provision is indeterminable, but will depend on state and local action and the impact of providing financial incentives to those who use tobacco products.

The bill could reduce health insurance costs paid by the state and local units for employees if incentives resulted in fewer employees who smoke and if insurance companies would lower premiums for a pool of nonsmoking employees. Additionally, if the bill results in fewer state and local employees smoking, health insurance costs could also decrease if by not smoking the employees reduce their use of the health care system for illnesses caused by smoking.

Whether the state or local unit would pass on any or all of the savings to the employees in the form of lower health insurance premiums, additional benefits, or higher salaries is indeterminable.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** See *Explanation of State Expenditures* above.

**Explanation of Local Revenues:**

**State Agencies Affected:** All.

**Local Agencies Affected:** All.

**Information Sources:**

**Fiscal Analyst:** Bernadette Bartlett, 317-232-9586.